

Message Text

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ACTION STR-04

INFO OCT-01 STRE-00 IO-13 ISO-00 AF-08 ARA-06 EA-07 EUR-12

NEA-10 AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00 EB-07

FRB-03 H-01 INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05

PA-01 AID-05 CIEP-01 SS-15 ITC-01 TRSE-00 USIA-06

PRS-01 SP-02 FEAE-00 OMB-01 /130 W

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R 091515Z DEC 76

FM USDEL MTN GENEVA

TO SECSTATE WASHDC 2120

INFO USMISSION EC BRUSSELS

AMEMBASSY OTTAWA

AMEMBASSY TOKYO

LIMITED OFFICIAL USE SECTION 1 OF 2 MTN GENEVA 9803

ACTION STR

H PASS CODEL

E.O. 11652: N/A

TAGS: ETRD MTN

SUBJ: CANADIAN VIEWS ON MTN SCOPE AND TIMING

1. SUMMARY: AMB GREY (CANADA) PROBED US DEC 6 ABOUT PROBABLE ATTITUDE OF NEW US ADMINISTRATION TOWARD SCOPE AND TIMING OF MTN. HE ALSO WANTED TO MAKE SURE WE KNEW CANADA'S VIEW WHICH IS THAT 1977 NOT, RPT NOT, FEASIBLE EXCEPT ON MINI-PACKAGE BASIS, WHICH CANADA ALSO OPPOSES. END SUMMARY

2. USDEL MTN (AMB WALKER, ET AL.) MET ON DEC 6 WITH CANADIAN MTN DEL (AMB GREY, ET AL) AT LATTER'S REQUEST FOR INFORMAL EXCHANGE OF VIEWS ON OUTLOOK FOR COMPLETION OF NEGOTIATIONS. GREY APPARENTLY SOUGHT THIS MEETING BECAUSE OF HIS AWARENESS THAT THIS IS A PERIOD OF INTENSE SOUL SEARCHING WITHIN USG AS OUTGOING ADMINISTRATION PREPARES TRANSITION PAPERS AND BUREAUCRACY BEGINS THINKING ABOUT RECOMMENDATIONS OR OPTIONS FOR NEW TEAM. GREY NOT ONLY WANTED TO PROBE USMTN ABOUT OUR ATTITUDE, BUT HE CLEARLY WANTED TO GET HIS OWN OAR

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INTO THE PROCESS IN HOPES OF INFLUENCING OUR THINKING.

3. CONCERNING SCOPE OF MTN, GREY REAFFIRMED CANADIAN INTEREST IN A LARGE NEGOTIATION. A BIG NEGOTIATION IS ONLY WAY CANADA WOULD BE ABLE TO GET SUBJECTS OF GREATEST CONCERN TO IT DEALT WITH. THIS IN TURN AFFECTED CANADIAN ATTITUDE TOWARD TIMING: CANADA EXTREMELY RELUCTANT TO JETTISON ANY ITEM CURRENTLY IN NEGOTIATIONS (ALTHOUGH NOT ALL ITEMS OF EQUAL IMPORTANCE). HE EXPRESSED CONCERN THAT PERSISTENT EMPHASIS ON 1977 TERMINATION BY US AND OTHERS RAISED THE "SPECTER" THAT SOME ITEMS WOULD BE JUNKED. GREY APPEALED DIRECTLY FOR US TO LET HIM KNOW IF WE PLANNED TO CUT OUT PIECES TO FORM MINI-PACKAGE IN ORDER TO SETTLE IN 1977. GREY SAID HIS VISIT TO LONDON A FEW DAYS EARLIER CONFIRMED THAT THE UK IS ACTIVELY PUSHING FOR EC ENDORSEMENT OF MINI-PACKAGE APPROACH TO MTN.

4. CANADIAN DEL'S OWN ESTIMATE OF POSSIBLE TERMINATION DATE REVOLVED AROUND A SERIES OF "IFS": IF A TARIFF FORMULA COULD BE AGREED NEXT SPRING AND EXCEPTIONS TABLED BY MID-SUMMER; IF THE CANADIAN SUBSIDIES/COUNTERVAILING DUTY PAPER WAS WELL RECEIVED; IF PROGRESS VISIBLE IN SECTORS AND ON AGRICULTURE; AND IF THERE WAS NO BLOW-UP WITH LDC'S IN THE NEW FRAMEWORK GROUP--THEN MTN COULD JUST BARELY FINISH (AGREEMENTS INITIALED) BY SPRING OF 1978. IN THAT CONNECTION, CANADIAN DEL WANTED CLARIFICATION OF TIME REQUIREMENTS FOR US CONGRESSIONAL APPROVAL PROCESS. WOULD THE COMBINED PRENOTIFICATION AND LEGISLATIVE APPROVAL TIMETABLE REQUIRE FIVE MONTHS? SIX MONTHS? NINE MONTHS? WHAT FACTORS COULD AFFECT TIMING? WHICH PROCESS (INCLUDING ADVISORY COMMITTEE JUDGMENTS) RAN CONCURRENTLY? ETC. COMMENT: WE HAVE BEEN GETTING SIMILAR QUESTIONS FROM SOME OTHER DELEGATIONS, PERHAPS SPARKED BY VIEWS OF GATT SECRETARIAT THAT ACTUAL TERMINATION OF MTN MAY HAVE TO BE PROLONGED CONSIDERABLY BY LENGTHY US APPROVAL PROCEDURES. WE WILL SHORTLY BE FURNISHING CANADIANS A CLARIFICATION ON PROCEDURAL REQUIREMENTS IN ORDER TO LAY TO REST UNINFORMED OR ERRONEOUS INTERPRETATIONS. END COMMENT.

5. ON GENERAL ISSUES OF SCOPE AND TIMING, AMB WALKER RESPONDED THAT THE CURRENT ADMINISTRATION LIMITED OFFICIAL USE

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CERTAINLY SAW MTN AS A BROAD NEGOTIATION. THE "BURDEN OF PERSUADING" CONGRESS AND THE PRIVATE SECTOR WOULD BE ON THE EXECUTIVE BRANCH IF IT SOUGHT TO JUSTIFY CUTTING OFF SOME ELEMENTS OF NEGOTIATION FOR THE SAKE OF CONCLUSION BY AN EARLY DATE. AMB WALKER STILL THOUGHT IT POSSIBLE TO VIRTUALLY WRAP UP MTN BY END OF 1977 SINCE AT LEAST THE OUTLINES OF A SETTLEMENT WERE IN VIEW IN MOST MAJOR AREAS. WE HAD EARLIER BELIEVED THAT LATE 1977

WOULD PROVIDE A FAVORABLE ECONOMIC AND POLITICAL "WINDOW" FOR SETTLEMENT; THE ECONOMIC FACTORS NOW WERE FRANKLY LESS ENCOURAGING, BUT THE POLITICAL CASE--NOTING PROSPECTS FOR MAJOR ELECTIONS IN 1978--WAS STILL COMPELLING. OBVIOUSLY MAJOR COMMITMENT OF POLITICAL WILL WOULD BE AN ESSENTIAL REQUIREMENT; AND CERTAIN EXTERNAL FACTORS, IF ADVERSE, SUCH AS THE COURSE OF MFA RENEWAL, INSTABILITY IN THE MONE-TARY SYSTEM, OR THE OUTCOME OF PENDING US COURT DECISIONS ON CVD CASES COULD SUBSTANTIALLY DISRUPT THE PROSPECTS.

6. AMB WALKER SUGGESTED ONE ESSENTIAL INGREDIENT WOULD BE SOME RESOLUTION OF THE AGRICULTURAL ISSUE. HOWEVER, THE REQUIREMENT FOR DOMESTIC CONSIDERATION OF NEW US FARM LEGISLATION TO REPLACE THE CURRENT STATUTE EXPIRING AT THE END OF 1977, PLUS SUBSTANTIAL PROSPECTS FOR AGRICULTURAL SURPLUSES IN THE NEXT YEAR, WAS ASSURANCE THAT THE NEW ADMINISTRATION WOULD TURN ITS ATTENTION EARLY AND COMPRE-HENSIVELY TO US AGRICULTURAL POLICY, INCLUDING ITS INTERNA-TIONAL ASPECTS AND PRESUMABLY THE MTN.

7. GREY PRESSED SEVERAL TIMES FOR INDICATION OF US THINKING WITH REGARD TO A MINI-PACKAGE IN 1977. AMB WALKER SAID HE COULD NOT SPEAK FOR NEW ADMINISTRATION. HE BELIEVED US WOULD BE AWARE OF POSSIBLE RISK THAT A FIRM POLITICAL COMMITMENT AMONG KEY COUNTRIES TO FINISH IN 1977 MIGHT BE A TRAP IF, AFTER TERMINAL DATE FIXED, EC WERE TO STONE-WALL COMPLETELY ON ALL MAJOR ISSUES, LEAVING U.S. AND OTHERS WITH CHOICE BETWEEN MINI OR NOTHING BY THE AGREED DATE. GREY INDICATED HE THOUGHT SUCH A SCENARIO WAS LESS LIKELY THAN AN OVERT PROPOSAL BY EC EARLY IN 1977 TO SCALE DOWN THE MTN AND FINISH IN IN 1977; HOW, HE ASKED, COULD THIS BE BLOCKED? WALKER SAID THAT WOULD BE FOR NEW TEAM TO DECIDE, BUT IF U.S. OPTED AGAINST MINI-PACKAGE LIMITED OFFICIAL USE

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APPROACH, IT COULD SIMPLY SAY SO AND REFUSE TO AGREE. GREY SAID HE HOPED U.S. WOULD OPPOSE A MINI APPROACH AND HE CLAIMED CANADA WOULD CONTINUE TO OPPOSE IT.

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PRS-01 SP-02 FEAE-00 OMB-01 /130 W

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R 091515Z DEC 76
FM USDEL MTN GENEVA
TO SECSTATE WASHDC 2121
INFO USMISSION EC BRUSSELS
AMEMBASSY OTTAWA
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ACTION STR

H PASS CODEL

8. OTHER SUBJECTS DISCUSSED BRIEFLY:

--TEXTILE TARIFFS. GREY INQUIRED AS TO U.S. PLANS ON
INCLUSION OF TEXTILE TARIFFS IN THE TARIFF OFFER, NOTING
INFLUENCE THIS MIGHT HAVE ON PROSPECTS FOR MFA RENEWAL.
U.S. RESPONDED WE HAD MADE NO DECISIONS ON INCLUSION OR
EXCLUSION, BUT WERE CONCERNED ABOUT POTENTIAL SPILLOVER
OF MFA INTO MTN. WE OBSERVED, HOWEVER, THAT SUCH ACTIONS
AS RECENT CANADIAN ARTICLE XIX MEASURES ON WIDE RANGE OF
APPAREL PRODUCTS IN FACE OF CANADIAN MFA OBLIGATIONS WERE
MORE LIKELY TO SOUR MFA AND DUMP TEXTILES INTO MTN THAN
ANYTHING WE MIGHT DO IN FUTURE ON TEXTILE TARIFFS.

--VALUATION. U.S. NOTED, AS EXAMPLE OF ITEMS POTEN-
Tially RESOLVABLE, THAT EXPERTISE AND UNDERSTANDING OF POS-
SIBLE BARGAIN ALREADY EXISTED AND THUS A REASONABLY SPEEDY
CONCLUSION WAS PLAUSIBLE. CANADA REITERATED ITS APPRE-
HENSIONS ON THIS SUBJECT THAT REAL NEGOTIATION ON VALUA-
TION MIGHT MAKE MTN MUCH MORE DIFFICULT FOR CANADA.
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GREY CAUTIONED U.S. ON NEW VALUATION SCHEMES BECAUSE SUCH
A HEAVY PROPORTION OF CANADIAN IMPORTS ARE INTRACOMPANY
TRANSFERS AND CANADA MIGHT, IN A NEW SYSTEM, BE OBLIGED
TO ADOPT MORE STRINGENT RULES.

--LDC'S. GREY SAID HE WAS CONCERNED AT POSSIBILITY

THAT CIEC TALKS WOULD BREAK DOWN AND THAT LDC DISCONTENT WOULD INCREASE IN MTN, POSSIBLY COMING TO A HEAD IN THE NEW FRAMEWORK GROUP, BUT ALSO DISRUPTING OTHER AREAS SUCH AS TARIFFS. HE STRESSED THAT THE INDUSTRIAL COUNTRIES SHOULD BE PREPARED TO GO AHEAD WITH A TARIFF SETTLEMENT AMONG THEMSELVES IF NECESSARY. HE SPECULATED IT MIGHT BE BETTER TO BREAK LINK BETWEEN TIMETABLE FOR FRAMEWORK GROUP AND OVERALL MTN, LETTING FORMER CONTINUE ON, PAST MTN CONCLUSION, SO AS NOT TO LEAD TO LDC DISAPPOINTMENT "TOO SOON" OVER LACK OF SWEEPING RESULTS. (COMMENT: GIVEN CANADIAN PROBLEMS WITH EXPORT RESTRICTIONS IN THE FRAMEWORK GROUP, IT IS NOT SURPRISING TO HEAR GREY SUGGEST AN INDETERMINATE CONCLUSION DATE FOR THAT GRUP'S WORK. END COMMENT)

--U.S. CVD WAIVER AUTHORITY. HAVING BEEN JOLTED BY U.S. EXPLANATION OF POTENTIAL IMPACT OF POSSIBLE ADVERSE COURT DECISIONS ON U.S. CVD CASES, GREY WONDERED WHETHER WAIVER AUTHORITY COULD SOMEHOW BE USED FOR SUSPENSION OF LIQUIDATION AS WELL AS WAIVER OF FINAL APPLICATION OF CVD'S. U.S. ADVISED HIM THE ENTIRE MATTER WAS UNDER STUDY IN WASHINGTON AND MTN DEL COULD NOT GIVE COMPREHENSIVE GUIDANCE.

9. FYI. INTERVIEW WITH GREY IN TORONTO GLOBE AND MAIL, NOV 30 (MADE AVAILABLE TO MTN DEL FOLLOWING THIS SESSION), CONTAINS MANY OF THE SAME ARGUMENTS ABOUT MTN SCOPE AND TIMING TOGETHER WITH DISPARAGING COMMENTS ON IMPLIED LACK OF REALISM OF U.S. NEGOTIATORS. END FYI. WALKER

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